GLIMPSES ECONOMIC OF THE SIXTEENTH CENTURY*

Few periods in history offer such interesting parallels with our present-day life as the sixteenth century, and the basic unity between the two epochs appears to consist in the great question which dominates them both,—that of how to solve the high cost of living. In some respects the problem was even more urgent in the sixteenth century than it is now, and on it depended vast issues of national, social, and human relationship. Life in the sixteenth century was a strenuous matter for priest and soldier, merchant and farmer, and the great problem for all alike,—rich man, poor man, beggar man, and thief,—was the high cost of living. The price of goods rose out of all proportion to the stock of currency in most pockets. Immense social unrest, peasant revolts in Germany and England, devastation in France, a vast army of the unemployed, were proofs that the economic balance needed adjustment.

Curiously enough, the remedy proposed for these evils is much the same in the twentieth century as in the sixteenth. The men in power of old time saw wealth only in the shape of gold, saw prosperity only in a balance of trade, saw safety only in huge armaments, and saw glory only in national expansion and growth of population. Their successors in 1914 seek similar ends, only with more tremendous means, with an imperial rather than a national outlook, and with consequences of weal or woe infinitely greater than were the possibilities of 1500.

The policy which aims at these results, Mercantilism, is essentially national selfishness. It led to the most outrageous tariff walls, to the most cruel exploitation of colonies and subject peoples, and it prescribed the most minute rules for the location, conduct, and output of industries. The mercantilist of necessity held that a nation's sinews are its treasure chest. He was right in an age when capital and credit were in their infancy.

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*N. B.—These notes of the sixteenth century suggest conditions so similar to our own that it is believed they may be of interest to a modern reader.

He put on their war footings the national armaments. Necessity justified him. The practical application of mercantilist theories brought a species of prosperity, very ill-diffused to be sure, to Europe in the sixteenth century. Europe in the nineteenth century, after dallying with single-tax theories, pursued a policy largely fashioned upon the doctrines of the mercantilists, and had to show for it the French exploitation of North Africa and Indo-China, the British absorption of Egypt and South Africa, and the movement to dismember China. All the great empires of the day, including our own in the Philippines, are the monuments of contemporary or of fairly recent Mercantilism. Here again a certain specious prosperity is the result; but in the modern age the system encounters the murmurings of socialists, internationalists, syndicalists, humanitarians, philanthropists, peace propagandists,—men far removed in thought and station, symptomatic of a universal protest against the outworn creed of a bygone day.

Taking Mercantilism as the dominant economic philosophy of the sixteenth century, this paper aims to show somewhat isolated cases of how Mercantilism wrought for a system of banks. It cites examples of bankers and great money-leaders who, as in the twentieth century, were enabled to wax exceeding rich, notwithstanding widespread poverty among the masses. It treats of some aspects of the rate of interest in an age when supplies of capital were as yet small, contrasting the flourishing credit of industrial cities with the disturbed economic conditions in France and England. A few specific examples are cited of the cost of living and the rise in prices. Finally, the Church and the conservative classes, the leaders of thought, are quoted, particularly in reference to the question of usury, in respect to which economic pressure forced the reversal of a policy many centuries old.

Credit was in its infancy during the sixteenth century, the feudal age being too exclusively agricultural to foster commerce and manufactures which would call a banking system into existence. The only great centres for extensive manufacturing were the Netherlands and Northern Italy, and these were logically the earliest habitat of banks,—industry, capital, and credit

being interdependent. From Italy, then, was to emanate the modern system of finance, so great a factor in later history.

The word *bank* is of origin not entirely certain. Most people assign it to *banco*, or bench, a table where the money changers of old Italy effected receipts and payments.[1] In early days the goldsmiths held the strong-boxes of Europe. They charged fees, as do the safety-vault men, their successors, for keeping safe the gold of their clients. In time, as commerce created a demand for the use of gold, these artificers saw an advantage in borrowing their clients' gold at interest, so as to lend it to traders at a higher rate.[2] But the earliest banks seem to have been primarily for the simple care of treasure, or for pawnbroking. The Lombard Jews developed this latter phase of banking. They lent money on security which they stored in warehouses, many of these depositories for mortgaged goods going by the name of Lombard Houses.[3]

The pioneer in a regular business was the Bank of Venice, founded by Duke Vitalis Michael with 2,000,000 ducats, £433,333 capital, the proceeds of a forced loan. It afforded its depositors the convenience of transferring money to each other without the risks of actual exchange. It was alone in the field for two and a half centuries till the establishment of the Bank of Genoa in 1407. This latter bank had "an ideal currency fifteen per cent better than current money."[4]

The exchange feature of banking meant much in an age of violence, where property was even less safe than with us, and the merchants made the transfer of credit at the bank an important means of payment, as appears in the language of Venetian ambassadors from time to time.[5] But banking in Venice was not all done on a bed of roses. A credit man in the sixteenth century had to foresee many pitfalls, and the year 1584 brought private banking in Venice to a disastrous termination

[1] Cf. also St. Matthew, XXI, 12.

[2] Cf. Trail's "Social England," Vol. III, pp. 543-545.

[3] The London Encyclopædia, 1833, article on "History of Rise, Progress, and Present State of Banking in All Parts of the World." Ibid., page 464.

[4] La Grande Encyclopédie, article on "Banque."

[5] "The Bank of Venice," p. 147, by Charles Franklin Dunbar,

with the failure of the house of Pisani and Tiepelo for 500,000 ducats.[6] Henceforth the Bank of Venice was to be supreme in its own locus till the eighteenth century. The banks derived a perfectly legitimate profit from exchange, but it required much casuistry to bring these transactions into harmony with canon law. Polemical discussions had a wide field for subtlety, and men had to find a definite loophole to avoid the accusation that the profit from exchange was a form of usury. It was finally decided that such a profit was legitimate when the exchange was real and not fictitious, that is made to conceal a loan because the profit accrued "non propter tempus, sed propter loci distantiam."[7]

But, although the banks in Venice, Genoa, and Sicily were founded for the convenience of merchants, various aims seem to have swayed their promoters in other localities. At Naples the purpose seems to have been to reduce the rate of interest on loans: Amsterdam and Hamburg sought to create an ideal measure of value separate from a fixed sum of money, and free from the perils of the multiplication and alternation of the currency. At Milan, and as an additional aim at Genoa, lay the idea of liquidating the civic debt.[8] It is a curious fact that Spain, so backward in our time, was quite abreast with the earlier movements in banking, and as early as the fifteenth century saw banks established at Barcelona, Valencia, and Saragossa. The progress of finance was strikingly coincident with the attainment of Spanish unity, the conquest of Granada, and the age of exploration.

In North Europe, Amsterdam was the pioneer. Its great bank did not open till 1609, but it is safe to say that wealth and commerce in the Netherlands would have created the demand much earlier if it had not been for the demoralization and havoc of the War for Freedom. Once established, the bank had a sure footing, because of the great need for a scientific basis of exchange at such a central port of world commerce. It had, moreover, the highly valuable privilege of charging its

[6] "The Bank of Venice," p. 152.

[7] Luigi Cossa, "Histoire des Doctrines Économiques" (Paris, 1849), in "Bibliothèque International d' Économie Politique," p. 169.

[8] Ibid., p. 196.

customers eight per cent of their deposits for taking care of their money. The savings banks of our day have followed at a distance, to be sure, in this worthy custom, the three per cent to depositors being but a sop to appease them while the bank turns over its moneys at huge profit. The national banks do still better, the larger of them charging an actual fee for the handling of small deposits inside the "three-mile limit," so to speak, of the sacred three hundred daily balance. The Sieur le Moine de Lespine, writing in 1694,[9] gives an interesting contemporary account of how the Bank of Amsterdam did business, in which he likens the bank to a cashier to whom the city entrusts its money, or from whom it withdraws by paying ten florins for the opening of the account and thereafter one half penny an entry. The bank money enjoyed a credit similar to that of British pounds sterling at the present day. Men paid one hundred and six florins for one hundred florins credit at the bank, just as now they pay $4.87 for the face value of twenty shillings. Lespine calls this difference the bank's "agio," or premium. He gives us a glimpse of the ways of bankers by telling us that the hours were seven until eleven "every day that it is open." One wonders when this was.

A corollary to the bank is the post-office, and this, originally an Italian, Milanese, device,[10] as we should expect, owed its introduction, in Germany at least, to the Emperor Maximilian I, who in 1516 entrusted to the Prince Thurn and Taxis of his day the direction of a post-route from Vienna to Brussels via Augsburg, Rheinhausen, opposite Speier on the Rhine, Worms, and Creuznach.[11] Through Rheinhausen it communicated with Strassburg, forming an aid to the prosperity of Elsass and Lorraine, a rich vineyard land which reached its zenith of production in the sixteenth century, not the least evidence of this being its popularity with the Children of Israel, many of whom entered the banking business at Colmar and Schlettstadt.

Prosperity in vineyards and valleys meant a temporary plenty for the lords of things spiritual and temporal. Remote from

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[9] "Le Négoce d'Amsterdam ou Traité de Sa Banque," pp. 1 & 2.

[10] Damaschke, "Geschichte der Nationalökonomie," p. 120.

[11] Löper, "Geschichte des Verkehrs in Elsass-Lothringen," esp. pp. 19 & 33.

actual production, they sat apart, a race chosen to receive rather than to give. Prosperity with them was but a reflex of that beneath; but abundance of pelf in the village sometimes found an echo in the hall. The burghers could pay more and more liberally for privileges, and gold was thus playing its part in the struggle for civic liberty. In a non-commercial age only the object of petty greed, gold, becomes in an era of world relationships the very mainspring of enterprise.

The sixteenth century saw the decadence of the Hansa League,[12] nor had it ever attained the banking importance of the Italians. It should be said of these cities, however, that they labored towards something like uniformity of coinage, and that their gold transfers were far from being limited to payment in bar metal, not a few of their enterprises being conducted on credit. Neither Italy nor the North was to reign supreme in sixteenth-century finance. The weakening power of Italy was to yield this sceptre to the old town of Augsburg, where dwelt the money geniuses of the age, the Fuggers.

If the twentieth century bows to its Rothschilds and Morgans, the sixteenth century no less had its gods of the market-place. If emperors and kings kneel before the feet of money enthroned, no less was this true when Charles the Fifth, haughtiest of this world's potentates, could dine with Anton Fugger, the Crœsus of his day. The Fugger family[13] is one of the most remarkable whom history records. Their origin, their rise, their patronage of art, their remarkable permanence, are one of the most striking passages in the history of finance. Their genealogy runs something like this: First generation, Johann Fugger, an Augsburg weaver; second generation, Johann Fugger progresses (he becomes a merchant and citizen of Augsburg); third generation, his children, Andreas and Jakob, are money lords in Augsburg. The family branches here. Of the children of Andreas, Lukas came to ruin because the town of Louvain repudiated its debt, most of which was owed to him. But Jakob prospered, and, faithful to the human nature that is in us,

[12] Dr. Dietrich Schafer, in "Monographien zur Weltgeschichte," XIX, p. 86, et seq.

[13] Encyclopædia Britannica, XIth Ed., article on "Fugger."

he became a social climber, and in 1452 secured the right to bear arms, an honor which Shakespeare, too, both coveted and earned. Unhappily, Jakob's honors perished with him. His line became extinct. It devolved upon Andreas's brother Jakob to perpetuate the family. This he did in a thoroughgoing way, leaving seven sons, three of whom were men of genius, Ulrich, (1459-1510); Georg, (1453-1506); Jakob, (1459-1525). About 1473, Ulrich became banker to the Hapsburgs—a position of no small importance when we reflect what some financial transactions with the Hapsburgs have done for world history, notably that judicious Hohenzollern loan to a needy Hapsburg whose foreclosure transferred the Hohenzollerns from their southern castle to their Brandenburg electorate with all the fateful consequences of Hohenzollern dominion in the north. Ulrich did passing well to get this sinecure. His brother Jakob did as well. He put his money into silver in the Tyrol, copper in Hungary, and a general European spice trade, and he had plenty to spare when King Charles came a-borrowing for money to bribe the seven electors into naming him emperor. This timely loan to Charles won Jakob a friend who was well able to show his gratitude. Jakob had a human side. Like the givers of libraries in our day, he responded to the call of humanity. His charity was the Russell Sage Foundation of the sixteenth century, a contribution to the tenement problem. There are still standing one hundred and six tenements in Augsburg willed to worthy and needy Catholics forever at a rental the most nominal. The Fuggers were men of religion. Neither Ulrich, nor Jakob left heirs, and the destiny of the family fell to the children of Georg,—Raimund (1489-1535), and Anton (1493-1560). Under them the House of Fugger reached its zenith. When the Emperor Charles came to Augsburg to the Diet of 1530, Anton received him in his own house and lighted the hearth fire with a bond the emperor owed him. The emperor was not to be outdone, and bestowed upon his host titles and honors which still remain in the family.[14] Not only was he made Count

[14] Dr. Phil. Georg Lill, "Studien zur Fugger-Geschichte 1531-1598 und die Kunst," p. 5.

Kirchberg and Weissenhorn, but he was vested with the right to coin money. Dark days were ahead because of Spain's ever increasing difficulties with its monstrous debt, much of which was held by the Fuggers. Notwithstanding these rocks and shoals, Hans Fugger from 1574 to 1597 kept up an annual expenditure of sixty thousand gulden, at the same time maintaining so great a reserve that in the one year 1589, in which his two sons were married, he was in position to expend two hundred and forty-three thousand gulden.[15] His income came from landed estates, Tyrolean mines, but chiefly from the treasury of the company. With true German thrift, he examined into prices, restrained his children from extravagance, and above all followed his father's policy of laying out large sums on landed estates.[16] We have an estimate of the Fugger fortune in the days of the great Anton, the friend of the emperor, which places his personal holdings at 6,000,000 florins, and the total wealth of the family at 63,000,000. Much of this wealth has vanished. Personal property at the dawn of modern government was a hard thing to keep, but the wise policy of investment in land adopted by the later Fuggers assured the stability of their house. The old motto "from shirt sleeves to shirt sleeves" was never more signally refuted. Through decades of vicissitude, through bankruptcies of kingly debtors, the land has been an anchor. Others now bargain on the Rialto, but at this very day, three great landholding branches of the Fuggers, descended from Georg through his son Raimund, hold seats in the Bavarian Upper House, the head of the family being lord of the counties of Kirchberg and Weissenhorn as in the days of Charles V. Nor is this evolution from merchant to banker, from banker to landed proprietor at all unique. The tendency is even now at work among the plutocrats of the new world.

In respect to the rate of interest, there was almost as wide a variety in the sixteenth century as in our own. The astonishing feature is that in an age where capital was so limited it was possible to procure it at such reasonable rates. Municipal bonds were held to be safest, and towns with good credit could

[15] "Studien zur Fugger-Geschichte 1511-1598 und die Kunst," p. 9.
[16] Ibid., p. 9.

get money almost on their own terms. Thus the good city of Nuremberg[17] shows a remarkable growth in credit. In 1553 and 1554, when it was at war with the Margrave of Brandenburg-Kulmbach, it had to pay twelve per cent for money to strengthen its towers. Even this was low for the times, but in 1555 it made a fresh loan at ten per cent, though willing to give eleven or twelve per cent for very large sums. Three years later its credit had mounted so that eight per cent was deemed enough. In 1561 it was down to six, and in 1565 it touched five per cent, a truly extraordinary showing in the face of scarcity of capital and an increased cost of living with a rising scale of prices, the identical combination which is forcing up the rate of interest in our time. Municipalities like Nuremberg and Amsterdam could borrow at incredibly low rates at a time when the most powerful princes could scarcely get gold on any terms. For example, in the very decade of Nuremberg's rising credit King Henry II of France made a nominal loan at sixteen per cent. That was the theory, at any rate, because sixteen per cent was the interest charged. But the king did not get off so easily. He had to pay a four per cent commission on the transaction, and a three per cent discount on the valuation of the money. But if the bankers thought they had things their own way, they were mistaken. The king could always exercise his sovereign privilege of refusing to recognize his obligations, a privilege which nearly every one of our own sovereign United States has used at one time or other. This he proceeded to do in 1559, and in the great financial crash which followed many Florentine banking houses were ruined.

Lists have come down to us of Italian houses interested in financing the later Valois kings. One for the year 1553 includes the following very characteristic names: Tommaso Rinuccini, Gherardo di Tommaso Guardagini, Carlo Rinuccini, Giovanni Martelli, Lorenzo Capponi, Bindo Canigiani, Averardo Salviati e Compagni and others. They had to steer a watchful course amid the duplicity of kings, the hatred of natives, and the ever present likelihood of national bankruptcy, but as a class they

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[17] Ehrenberg, "Das Zeitalter der Fugger."

[19] Ibid., p. 306.

flourished. There were rich plums for those who knew how to shake them. Thus Diaceto, one of the chief bankers to Charles IX, could afford a house at one hundred and fifty thousand écus, and the county of Chateau-Vilain at four hundred thousand francs. The French hated these lordly Italians much as the Russian muzhik hates his Jewish loan shark, but the government could not dispense with them and they clung to the body politic like leeches till the general cataclysm of the Fronde in 1648.[19]

Notwithstanding the superior natural wealth of France and the financial independence of her kings, who could levy taxes without the consent of their subjects, she was behind both the Netherlands and England in the establishment of a real public credit. The Netherlands paved the way, and England followed in a policy of funding the national debt at a lower rate of interest. With their increased credit, both were able to buy control of sea power and to subsidize land forces, and to lay the foundation in England, at any rate, for world dominion.

Schools of domestic science have so accustomed the public to household and family budgets that it may be of interest for comparison to include that of King Henry VII, a very thrifty and prudent personage, who kept his affairs decently and in order. We have the information from the secretary of the Venetian Ambassador, Francesco Capello.[20] As the city fathers in Venice demanded the most minute information, the summary is doubtless accurate.[21] The nation paid the king two hundred and forty thousand crowns; the queen, thirty thousand; and the Prince of Wales, twenty thousand. In addition the king derived a total of two hundred and fifty-seven thousand crowns annually from the duchies of Lancaster, York, Clarence, Somerset, Gloucester, Exeter, and Bedford, whose revenues were Crown perquisites. Worth the collection also were the gabel, or customs duties, with their yield of one hundred thousand crowns, and the two hundred thousand from the wool duties. The nation's widows contributed their mite—fifty thousand crowns

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[18] Ehrenberg, "Das Zeitalter der Fugger," p. 323.

[20] Camden Soc. Pub. No. 37, "A Relation of the Island of England."

[21] Ibid., pp. 47-50.

on the average—for permits to remarry, and large revenues came from wards whose estates the king managed, and from vacant church benefices. Then, too,—and this was a thoroughly mercantilist view of things,—in order to discourage the export of money, the king rceeived[22] "a Bolognese carlino per ducat" on all coin leaving the kingdom. It was the task of thirty-six sheriffs, the presidents of the thirty-six shires of England, to collect these revenues, both ordinary and extraordinary. Once in the royal hands, they staid there. The king allowed himself only £14,000 a year for the table, and only £20,000 for the other expenses of the royal family. With the rest he built the noble chapel at Westminster, and laid up a treasure for his spendthrift son to squander.

The financial side of Henry VIII's reign was as discreditable as the divorce side. The successive debasement of the coinage added to the confusion of a period of extravagance, of land speculation, of depopulation and vagrancy. It was a melancholy chapter, but with Elizabeth came new life and blood, a freer air. The great monasteries surrendered their surviving coinage rights;[23] a British loan was for the first time fully subscribed in Britain[24] (1569), and the merchants for the first time could come under shelter to effect their exchange transactions. Hitherto, as in the early days of Venice, foreign exchange had been made in the open air on Lombard Street. Henceforth, thanks to the initiative of the greatest Englishman of business in the sixteenth century, Sir Thomas Gresham, the Royal Exchange was at the service of the merchants.

Sir Thomas Gresham had a unique career as financial adviser in four reigns, holding his sovereign's favor under Henry VII, Edward VI, Mary, and Elizabeth, save for a brief period in the time of Mary. He was a manipulator of the most approved Wall Street type, and we are told that by very ingenious but very unfair schemes of raising the price of a pound sterling on the Amsterdam Bourse, in a few years he was able to discharge nearly all King Edward's debts.[25] The proudest day of his life,

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[22] Camden Soc. Pub. No. 37, "A Relation of the Island of England,"p. 51.
[23] Ibid., p. 57. [24] Trail, "Social England," Vol. III, p. 372.
[25] Encyclopædia Britannica, article on "Sir Thomas Gresham."

though, was the pageant when "the Queen's Majesty, attended with her nobility, came from her house at the Strand, called Sommerset House and entered the city by Temple Bar through Fleet Street, Cheap, and so by the north side of the burse, through Threadneedle Street, to Sir Thomas Gresham's house in Bishopsgate Street where she dined"; after which she entered the burse on the south side, and "by herald and trumpet caused it to be proclaimed 'The Royal Exchange' and so to be called from henceforth and not otherwise." [26]

The monarchy in the sixteenth century was alive to its responsibility as a national pageant, and this act of Elizabeth was worthy of a King Edward VII. But she had an intensely practical side as well, and when the rich men of her good city of London were slow to subscribe to royal loans, she made it very clear and emphatic that "to borrow money was a matter of great grace and favour." [27] Only a queen could have inspired the patriotism which this same Sir Thomas Gresham displayed on his sovereign's behalf. The Spanish ambassador had twitted Sir Thomas with the superior loyalty of Spanish grandees, and had made some odious comparisons regarding their relative wealth. To prove the English claim, the financier invited the ambassador to dinner and taking out his great pearl, the gem of a collection, he dissolved it in wine, drinking the Queen's health. "My Lord Ambassador," said Sir Thomas, "you know I have often refused £15,000 for that pearl. Have I lost or won?" "I yield the wager as lost," was the reply, "and I do not think there are four subjects in the world that would do as much for their sovereign." [28]

Testimony comes from every side to the rise in prices in the sixteenth century. This was the inevitable concomitant of the remarkable expansion of currency which raised the gold and silver circulation from £34,000,000 in 1500 to £130,000,000 in 1600,[29] Elizabeth alone for a period of forty-four years coining

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[26] F. G. Hilton Price, "A Handbook of London Bankers," pp. 73-74. See also Lawson's "History of Banking." [27] Ibid., quoting from Mr. Francis.

[28] F. G. H. Price, "Handbook," p. 74.

[29] Trail, "Social England," Vol. III, p, 545. A. Hassell, "England and Europe."

an average of £107,240 of silver and £18,071 of gold. The decline in the purchasing power of the metals was evident even before the hoards from the American mines were thrown on the market.[30] The opening of the new mines doubtless had an effect analogous with that of the Californian, Yukon, and South African discoveries in the nineteenth century, but Roscher finds a principal cause to have been the internal changes of European political and economic adjustments naturally accompanying in most countries the awakening from the Middle Ages.

Spain suffered most. Noble lands were tax free. The peasants bore the burdens. So dreadful was the condition of the masses that where people failed to attain sudden riches by adventure, many sank into misery so abject that it was no uncommon thing for them to volunteer for the horrible service of the oar as galley-slaves, a fate usually reserved for criminals; this, while vast areas of tax-free land lay under the blighting ownership of absentee grandees. The population dwindled. Eleven million in 1500 had become only eight million two hundred thousand at the death of Phillip II. By 1700, the five million seven hundred thousand remaining were scarce worth a war of the Spanish Succession.

From France came the cry that the cost of necessities had risen sixfold between 1500 and the death of Charles IX (1574).[31] A different authority, citing the accounts of Verard, the celebrated printer and bookseller,[32] says: "I do not believe it an exaggeration to say that since 1495 money has lost nineteen twentieths of its value." Theories were not lacking to explain the phenomenon. Some are strangely familiar. Luther put the blame on the middlemen and declared that "price lifters, forestallers, and monopolists were plainly thieves, robbers, and usurers and not to be classed as human beings." [33] The charge had as much or as little justice as similar diatribes against the middlemen of to-day, but it had a specious justification at least

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[30] Wm. Roscher, "Zur Geschichte der Englischen Volkswirtschaftslehre," pp. 11-13.

[31] Damaschke, p. 114.

[32] "Banquiers et les quatre Canges à Liége," p. 37.

[33] Quoted by Damaschke, p. 123, from Luther's "Von Kaufshandlung und Wucher." 1524.

because, as now, the middlemen were reaping the harvest, and their rising tide of wealth was spurring many of them on to the purchase of landed estates in the hope of entering the ranks of the nobility.[34]

However the cost of peace might rise, that of war was sure to exceed it. The common use of gunpowder first made warfare the tremendous destruction of capital that it is to-day. It introduced the "dollar diplomacy" into the war offices of Europe. Yet, with a clear recognition of the real cost of warfare, came the greatest peace motive that the world yet recognizes. The sixteenth century inaugurated the ruinous waste of modern armaments. Side by side it forced home the truth that warfare is too great a cost to lightly risk those armaments. Sebastian Franck (1499-1542), living in the first half of the century, before its economic movements had reached their limit, could say: "A war now costs more till the plan is made and the army is in motion, than it formerly required to end it."[35] And the military arm gave rise in the sixteenth century to a motto almost as vigorous as Louis XIV's better-known declaration that the last dollar wins—"kein kreuzer—kein schweizer"—(no money, no soldiers; no soldiers, no power).[36]

A most interesting study arising from the economic changes which ushered in a capitalistic society is the effect of it all upon the thought of the age. The forces at work knew no shadow of turning. Thinkers had to ignore or to explain them. Buttressed by its age-long authority, the Church was forced to interpret many things. Throughout the centuries, the Church had preached the infamy of interest. Usury was a black and damning crime. Yet times had changed. What once was gross extortion, wringing from the misfortune of a neighbor a wretched yield for loans of sums which otherwise had merely lain idle, became in an era of commercial expansion the legitimate increment from a fund which could be placed to great advantage in any of a thousand ventures. The stagnant pool of capital had transformed itself into a swift current. New rules must guide

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[34] Damaschke, p. 125.
[35] Damaschke, "Geschichte der Nationalökonomie," p. 135.
[36] Ibid., p. 135.

its use. Conservative as the Church was by instinct and tradition, to yield was inevitable. For the first time in its history an authorized champion of the Roman Church defended the principle of interest when Doctor Eck, in the great Leipsig Disputation, declared that it was permissible for a Christian to accept from four to five per cent.[37] People saw in Doctor Eck's concession the influence of the Fuggers, and many were slow to approve the new idea. The Jesuits, in particular, held to the old way, and, at the end of the century, were still preaching the sinfulness of usury. Thus in 1605, three sermons by Fr. Georg Scherrer were printed at Ingolstadt in which he said: "Many are to be found who hold that if they take five or six gulden out of a hundred, it is Christian or divine usury. No, No, nothing is said of six or of five, of four or of three. One ought to expect nothing, nothing!"[38] The view of Eck, in the long run, was victorious. The Zeitgeist was with him, and where priests were too recalcitrant, the money power sometimes made them suffer, notably at Augsburg where the Fuggers were not to be trifled with.

Too often we hear of the Church as the friend of the rich, the plunderer of the poor, but there are bright chapters where the reverse holds true. Oppressive taxation met an enemy in the Dominican, Sylvester of Prierio (1460-1523), whose *Summa Summarum*, a popular book for over a century, declared that it was right for people to conceal a part of their goods from the tax-gatherer, because if they made an honorable declaration, they would be too heavily taxed.[39] Similarly, Cardinal Cajetan (1469-1534), in his *Summula*,[40] argued that the less there was to be taxed, the more it was taxed. He favored a differential tax taking into account the number of children in a family. Only a great radical could have proclaimed as he did, however, that subjects need not pay taxes merely to princes when their proceeds were not designed for the welfare of the State.

The powerful minds which led the Reformation, while more engrossed in theology, could not ignore economy. Luther combined them in a plea for more liberal maintenance of pastors.

[37] Damaschke, pp. 98-99.
[38] Ibid., p. 100.
[39] Ibid., p. 104.
[40] Ibid., p. 104.

Thirty gulden, which had been enough at the old-price schedule when a bushel of corn could be had for two or three groschen pieces, fifteen eggs for three pennies, was quite unequal to paying for corn at nine to twelve groschen a bushel, and for eggs at eighteen pence for fifteen. He wished the salaries increased to ninety or a hundred gulden to keep pace with the cost of living. Luther's sympathy was for the poor man, even if at times his policy drove him into league with princes; and on the interest question he took the poor man's side. The question was acute in 1524. Saxon preachers like Strauss[41] were maintaining that it was as sinful to pay interest as it was to take it. The elector's nephew, Johann Frederick, appeals to Luther for a dictum on the subject. Luther's reply was that interest was usury even if it did not exceed four or five per cent. Luther and the Jesuit Scherrer could meet on common ground—Zwingli, and Conrad von Rümling agreed with them.[42] But the logic of Calvin's clear intellect saw the fallacy of the old platitude that money could not breed money. Calvin calls that ideal "trop frivolle."[43] He realized that Christ's declaration that we should "Lend, hoping for nothing again" (St. Luke vi. 35) was the greatest argument of the opponents of usury. It could be justified only by a favorable interpretation of the text. Calvin's explanation is worth quoting, both as a common-sense defence of interest, and as a light upon Calvin's mental processes: "And first I am certain that by no testimony of Scripture is usury wholly condemned. For the sense of that saying of Christ, which is usually regarded as clear and evident, 'Lend, hoping for nothing again' (Luke vi. 35), has up to this time been perverted: the same as in another passage, when speaking of splendid feasts and that desire of the rich to be received in turn, he commands them rather to summon to these feasts the blind, the lame, and the other needy men, who lie at the cross-roads and have not the power to make a like return. Again, the law of Moses (Deut. xxiii. 19) was political and should not influence us beyond what justice and philanthropy will bear. . . I there-

[41] Damaschke, p. 95. [42] Ibid., p. 98.

[43] "Letters to Oekolampadius." Quoted by Damaschke.

fore conclude that usury must be judged not by a particular passage in Scripture, but simply by the rules of equity."[44]

Whatever the conflicting views of theologians, interest had come to stay, and government was bound to recognize it. In England the question was settled in 1545 by Act of Parliament, which approved the principle of interest, but condemned usury, making a distinction between fair and unfair rates. In 1571, the legal rate of interest was fixed in England at ten per cent. By 1624, this had decreased to eight per cent, not so wonderful as the showing which we saw was made by Nuremberg, but promise of that wealthier day when capital would find content in a five per cent return.

Sixteenth-century Mercantilism culminated in an excess of government intervention. The economics of the century or more that followed was but the ripened test of the folly of shackling industry by government fetters. The twentieth century faces a repetition of the experiment. New conditions of production and distribution involve new adjustments of law and government. Capital and labor both require the protection of society. The danger is lest this supervision assume too rigid a form and repeat the errors of sixteenth-century paternalism. Analogies of 1514 and 1914 are at best approximate. But granting that the times are changed, that the conflict of classes, unconscious in 1500, is now acute; that labor, now articulate, demands the protection of authority; may there not be a warning from the lessons of the past? Ought the framers of our laws to see a golden panacea for all the evils of society in a mercantilist remedy which amplest tests once proved a failure?

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[44] "De Usuris Responsum," in "Economics Tracts," N. Y. Soc. for Political Education, 1882.